

Message Text

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ACTION AGRE-00

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EUR-12 FRB-03 INR-07 NSAE-00 SP-02 STR-04 TRSE-00
LAB-04 SIL-01 OMB-01 XMB-02 OPIC-03 SS-15 NSC-05
L-03 H-01 PA-01 PRS-01 IO-13 /093 W
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 3257
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY PARIS
AMEMBASSY LUXEMBOURG
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PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR UK EC
SUBJECT: IMPACT IN UK OF OUTCOME OF EC COUNCIL OF
AGRICULTURE MINISTERS' MEETING APRIL 25/26

REF: BRUSSELS 04216 & 04235

SUMMARY: UK AGRICULTURE MINISTER SILKIN REPORTING TO
HOUSE OF COMMONS ON AGRICULTURE MINISTERS' MEETING IN
LUXEMBOURG APRIL 25/26 SEEMS WELL PLEASED WITH OUTCOME.
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HE MAKES MUCH OF BUTTER SUBSIDY AND CLAIMS OVERALL EFFECT
OF FARM PRICE PACKAGE AND NEXT TRANSITIONAL STEPS WILL
BE ONLY 1.25 PERCENT INCREASE ON AVERAGE FOOD PRICES UP
TO APRIL 1978. OPPOSITION CRITICS AND MUCH PRESS
COMMENT CLAIM THE PACKAGE FOR THE UK IS HARDLY ANY
BETTER THAN WHAT SILKIN REJECTED AT PREVIOUS MINISTERS'
MEETING AND THAT MINIMAL EXTRA BENEFITS GAINED FOR UK

ARE MUCH OFFSET BY BAD FEELING ENGENDERED AGAINST UK ELSEWHERE IN EC. MUCH COMMENT ACCUSES SILKIN OF THROWING AWAY CHANCE OF RESTRUCTURING CAP FOR SHORTTERM POLITICAL ADVANTAGE ON BUTTER SUBSIDY. NFU IS DEEPLY UNHAPPY OVER SMALLNESS OF GREEN POUND DEVALUATION AND CONTINUED FAILURE TO RESOLVE PIGMEAT MCA PROBLEMS. END SUMMARY.

1. UK AGRICULTURE MINISTER JOHN SILKIN REPORTED TO HOUSE OF COMMONS ON APRIL 27 ON OUTCOME OF AGRICULTURE MINISTERS' MEETING IN LUXEMBOURG, APRIL 25/26. SILKIN HIGHLIGHTED PARTICULARLY 8.5 PENCE PER LB. UK BUTTER SUBSIDY TO LAST TILL APRIL 1, 1978. HE SAID FALL IN RETAIL PRICES OF AT LEAST 5 PENCE PER LB. SHOULD RESULT ALTHOUGH PRICE MAY BEGIN TO RISE AGAIN BY LATE SUMMER. SILKIN TOLD COMMONS THAT BUTTER SUBSIDY HAD NOT BEEN INCLUDED IN COMMISSION'S ORIGINAL PROPOSALS AND CLAIMED IT AS SUCCESS FOR BRITISH PERSISTENCE. THE 2.9 PERCENT GREEN POUND DEVALUATION WAS ALSO CLAIMED AS A VICTORY FOR UK WHEN CONTRASTED WITH THE 6 PERCENT PROPOSED BY THE COMMISSION.

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2. SILKIN SAID "THE PACKAGE ACHIEVED A FAIR BALANCE BETWEEN PRODUCERS AND CONSUMERS. THE EFFECT ON FOOD PRICES IN THE SHOPS HAD BEEN CUT TO THE MINIMUM AND THE GREEN POUND DEVALUATION MORE THAN OFFSET THE BUTTER SUBSIDY." HE CLAIMED THE EFFECT ON AVERAGE FOOD PRICES UP TO NEXT APRIL OF THE LUXEMBOURG PACKAGE WAS ONLY ONE-THIRD OF ONE PERCENT AND WITH THE TRANSITIONAL STEPS LIMITED OFFICIAL USE

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THE OVERALL EFFECT WILL BE 1.25 PERCENT.

3. JOHN PEYTON, SHADOW AGRICULTURE MINISTER' STRONGLY ATTACKED SILKIN'S STATEMENT ASKING "WHY DID HE HOLD BACK IN MARCH? WHAT DOES HE THINK HE HAS GAINED WHICH WAS NOT AVAILABLE THEN TO JUSTIFY THE DELAY AND ALL THE BITTERNESS AND LOSS OF GOODWILL.....IT WOULD APPEAR THAT IT IS SOMETHING LESS THAN ONE PENNY PER LB. SUBSIDY ON BUTTER." PEYTON DREW ATTENTION PARTICULARLY TO LACK OF ACTION ON PROBLEMS OF UK PIG PRODUCERS FOR WHICH THE LUXEMBOURG DEAL DOES NOTHING. PEYTON ALSO ATTACKED SILKIN FOR NOT HAVING DONE ANYTHING ABOUT THE QUESTION OF STRUCTURAL SURPLUSES.

4. SILKIN REPLIED THAT ACHIEVEMENT OF 8.5 PENCE BUTTER SUBSIDY WAS A CONSIDERABLE ACHIEVEMENT AND WAS WORTH DELAYING AGREEMENT FOR. ON PIGS HE SAYS HE INTENDS TO PRESS FOR FURTHER ACTION AT NEXT COUNCIL MEETING IN THREE WEEKS' TIME. ON SURPLUSES HE SAID THAT THE BUTTER

SUBSIDY WAS ONE WAY OF DEALING WITH STRUCTURAL SURPLUSES.

5. SOME LABOUR MEMBERS, INCLUDING DOUGLAS JAY, CONGRATULATED SILKIN AND BLAMED OPPOSITION SPOKESMEN FOR MAKING HIS TASK MORE DIFFICULT. JAY AND OTHERS AGAIN CALLED FOR WITHDRAWAL FROM THE CAP IF IT IS NOT REFORMED.

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TRSE-00 LAB-04 SIL-01 OMB-01 XMB-02 OPIC-03 SS-15
NSC-05 L-03 H-01 PA-01 PRS-01 /093 W
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6. LIBERAL SPOKESMAN ON AGRICULTURE GERAINT HOWELLS
GAVE SILKIN GENERAL SUPPORT SAYING THAT THE PACKAGE WAS
A HOLDING OPERATION "UNTIL WE CAN PERSUADE OUR
COUNTERPARTS IN EUROPE TO REFORM THE CAP."

7. LATER, SILKIN CLAIMED THAT OPPOSITION ADVICE WOULD
HAVE INVOLVED HMG IN ACCEPTING ORIGINAL COMMISSION

PROPOSALS WITHOUT QUESTION AND TO TAKE THAT ADVICE WOULD
HAVE RESULTED IN NO BUTTER SUBSIDY, THE ENDING OF THE
VARIABLE BEEF PREMIUM SCHEME, A MARGARINE TAX OF 2.5
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PERCENT, A BAN ON INVESTMENT IN DAIRY FARMS, AN
ISO-GLUCOSE LEVY AT THE FULL RATE INSTEAD OF THE HALVING
OF IT WHICH HAD BEEN ACHIEVED, AND A 6 PERCENT
DEVALUATION OF THE GREEN POUND INSTEAD OF 2.9 PERCENT.
PEYTON CLAIMED SILKIN STATEMENT WAS A "SUBLIME DISREGARD
FOR THE TRUTH ALMOST WITHOUT PARALLEL."

8. PRESIDENT OF THE NFU, SIR HENRY PLUMB, ISSUED A
STATEMENT FOLLOWING SILKIN'S REPORT TO COMMONS SAYING
"FROM THE NATIONAL AS WELL AS THE FARMERS' STANDPOINT
HMG PERSISTS IN KEEPING AN EXTRAVAGANTLY LARGE GAP
BETWEEN THE GREEN POUND AND ITS MARKET VALUE.....
.....ARTIFICIAL HOLDING BACK ON FARM SUPPORT PRICES
IS ATTRACTING IMPORTS." HE SAID WIDE GAP BETWEEN THE
BRITISH AND IRISH GREEN POUNDS AGGRAVATES THE
DISTORTION IN BEEF AND PIGMEAT BETWEEN THE TWO COUNTRIES.
HE DERIDED THE IDEA THAT THE SMALL REDUCTION IN PIGMEAT
MCA'S DUE TO GREEN POUND DEVALUATION WOULD HELP PIG
PRODUCERS, COMMENTING THAT PROBLEM OF RESOLVING PIGMEAT
MCA'S "IS EVIDENTLY AS FAR FROM A SOLUTION AS EVER."

COMMENT:

9. MUCH REACTION TO THE OUTCOME OF THE LUXEMBOURG
MEETING STRONGLY CRITICISES SILKIN FOR THROWING AWAY MUCH
GOODWILL AND POSSIBLE CHANCE OF CAP REFORM FOR THE
SAKE OF LESS THAN ONE PENNY GAIN ON BUTTER SUBSIDY.
"TIMES" EDITORIAL OF APRIL 27 SEES OUTCOME OF PACKAGE
AS A DEFEAT FOR BRITISH VIEWS POINTING OUT THAT WHILE
UK WAS CLAIMING TO BE FIGHTING FOR NO PRICE INCREASES,
THE 3.5 PERCENT INCREASE IN EC FARM PRICES PLUS GREEN
IN UK WILL GO UP BY MORE THAN IN MOST OTHER EC
COUNTRIES. SILKIN IS ACCUSED OF ABANDONING ANY
PRETENCE TO BE SEEKING BROADER CAP REFORM FOR THE SAKE
OF LESS THAN ONE PENNY ON THE BUTTER SUBSIDY. "GONE
IS THE PRETENCE THAT BRITAIN CAN VETO ANY INCREASE AT
ALL IN FARM PRICES UNLESS THERE IS STRUCTURAL REFORM;
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THAT THREAT CANNOT BE MADE AGAIN. GONE IS THE BELIEF
THAT EVEN SUCH A STRUCTURAL REFORM REALLY MATTERS TO
THE BRITISH GOVERNMENT. INSTEAD IT SEEMS TO WANT TO

MILK THE SYSTEM FOR AS LARGE A SUBSIDY AS IT CAN."
SILKIN HAS OF COURSE HAD TO KEEP IN MIND REBELLIOUSNESS
OF MANY BACKBENCH LABOUR MP'S; HENCE HIS FLOURISHING
OF 8.5 PENCE BUTTER SUBSIDY AS A MAJOR VICTORY.
WITHOUT THIS, IMPACT OF OTHER MEASURES IN THE PACKAGE
WOULD QUICKLY BE SEEN AS PUTTING UP FOOD COMPONENT OF
RETAIL PRICE INDEX, LEOPARDISING FURTHER THE
GOVERNMENT'S POPULARITY AND RISKING STILL MORE
PROSPECTS OF PHASE THREE OF PRICES AND INCOMES POLICY.

10. GOVERNMENT MUST HOPE FOR CONTINUATION OF CEREAL

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R 291607Z APR 77
FM AMEMBASSY LONDON
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UNDER TRANSITIONAL STEPS MUST RISE BY 23 PERCENT FOR
WHEAT AND 24 PERCENT FOR BARLEY BY JANUARY 1978. IF

WORLD MARKET FORCES KEEP MARKET PRICES OF CEREALS WELL ABOVE INTERVENTION LEVELS THEN UK LIVESTOCK INDUSTRY WILL NOT SUFFER FROM IMPACT OF PRICE PACKAGE ON CEREALS INPUT COSTS FOR FEED. NEVERTHELESS, PRICE PACKAGE AND TRANSITIONAL STEPS BETWEEN THEM ENSURE THAT COST OF CEREALS FOR FEED TO BRITISH LIVESTOCK WILL REMAIN HIGH FOR ONE REASON OR ANOTHER. PACKAGE DOES MUCH LESS FOR LIVESTOCK SECTOR THAN FOR ARABLE FARMERS.
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RETENTION OF BEEF PREMIUM SYSTEM AND RISE IN BEEF TARGET PRICE HELPS THAT SECTOR BUT MILK PRODUCERS MUST WAIT UNTIL APRIL 1, 1978 FOR FULL BENEFIT OF GREEN POUND DEVALUATION WHILE BECOMING LIABLE FOR THE 1.5 PERCENT CO-RESPONSIBILITY LEVY PAYABLE IN SEPTEMBER. THE NEW MILK PRICE TO BE PAID TO FARMERS DURING THE REST OF THE TRANSITION PERIOD HAS NOT YET BEEN ANNOUNCED.

11. GREEN POUND DEVALUATION WILL, IT IS ESTIMATED, REDUCE PIGMEAT MCA'S ON IMPORTS FROM HOLLAND AND THIS WILL FOR MOST PIG PRODUCERS BE OF MINIMAL SIGNIFICANCE.

12. TO SUM UP, THE LUXEMBOURG PACKAGE HAS CAUSED VERY WIDE DISAPPOINTMENT IN UK NOT LEAST BECAUSE IT IS FELT THAT SILKIN'S INTRANSIGENCE FOLLOWED BY ACCEPTANCE OF VIRTUALLY THE SAME DEAL AS OFFERED A MONTH AGO HAS PUT PROSPECTS FOR CAP REFORM FURTHER AWAY THAN EVER.

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Message Attributes

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